

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Bear Lake	County Manistee
Fiscal Year End February 28, 2007	Opinion Date August 10, 2007	Date Audit Report Submitted to State September 18, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Wilson, Ward CPA Firm		Telephone Number 231-276-7668	
Street Address PO Box 205		City Interlochen	State mi
		Zip 49643	
Authorizing CPA Signature 		Printed Name David E Wilson	
		License Number 1101013769	

# VILLAGE OF BEAR LAKE

## BEAR LAKE, MICHIGAN

For Year Ended  
February 28, 2007

### Audit Report

Wilson, Ward CPA Firm  
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VILLAGE OF BEAR LAKE  
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# INTRODUCTORY SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORT BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER  
COMPLIANCE

Village of Bear Lake  
Bear Lake, Michigan

We have completed the audit for Village of Bear Lake as of and for the years ended February 28, 2007. We conducted our procedures in accordance with standards generally accepted in the United States of America and the standards applicable to compliance and internal control reporting as contained in SAS 112.

**Internal Control Over Financial Reporting**

In planning and performing our procedures, we considered Village of Bear Lake's internal control over financial reporting not for the purpose of expressing an opinion on the effectiveness of Village of Bear Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Bear Lake's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

**2006-1 Lack of segregation of duties**

Criteria: All agencies who are of sufficient size, should maintain controls over certain areas which require a segregation of certain duties.

Condition: The size of the organization and the nature of the state law places all of the responsibility for tax collection on one person. Therefore, there is little or no segregation of duties with regard to tax collection.

Cause: This is inherent in the assignment of duties according to the Michigan State Accounting Manual, Chapter 7, in that the Treasurer is responsible for tax collection.

Effect: As a result of this condition, the organization lacks internal controls for proper tax collection.

View of  
Responsible  
Officials: The organization reviewed the need for enhanced internal control over tax collection and has instituted additional procedures to allow for enhancement of the Treasurer function.

## 2006-2 Software and use of specific account classification

Criteria:	The software being used is not adequate for double entry bookkeeping by the Clerk
Condition:	The Village was using Quicken which was not adequate for proper double entry bookkeeping and allowed for multiple single sided entries into the system.
Cause:	There had been a recommendation that the Village use quicken for all accounting.
Effect:	As a result of this condition, management was permitted to make overrides and the software made automatic entries which lost control of cash. In addition, the accounts were not set up properly and were in violation of the State Accounting Manual.
View of Responsible Officials	The organization reviewed the situation and converted to Quickbooks at year end. This system will allow for double entry bookkeeping and a suitable audit trail.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. However, we did not consider any of the significant deficiencies described above to be a material weakness.

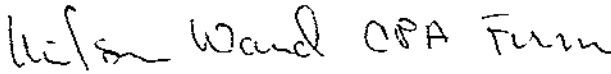
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Bear Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our procedures, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Village of Bear Lake in a separate letter dated August 10, 2007.

Village of Bear Lake's response to the findings identified in our procedures are described above. We did not audit Village of Bear Lake's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

  
Wilson Ward CPA Firm  
Interlochen, MI  
August 10, 2007

## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To Village of Bear Lake Council  
Bear Lake, MI

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Village of Bear Lake, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Bear Lake, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Village of Bear Lake, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2007, on our consideration of Village of Bear Lake, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Interlochen, Michigan  
August 10, 2007



Village of Bear Lake Management's Discussion and Analysis  
For the Fiscal Year Ended February 28, 2007

The *Statement of Net Assets* presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water services.

#### Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Parks Fund, Building Fund, and the Equipment Replacement Fund. The major Proprietary Funds are the Water Fund and the Park Fund. Presentation of major funds can be found later in this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Bear Lake uses fund accounting to ensure compliance with finance-related legal requirements. There are two basic types of funds: governmental funds, and the proprietary funds.

*Governmental Funds* Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The Balance Sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the Major Funds.

Village of Bear Lake Management's Discussion and Analysis  
For the Fiscal Year Ended February 28, 2007

*Proprietary Fund* The Proprietary fund accounts for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village.

Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has two enterprise funds, which are the Water Fund and the Park Fund.

*Component Units* The Village does not have any component unit that is required to be included in this report.

#### Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

#### Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$982,730 at February 28, 2007, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$310,188 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village decreased \$1,850 in this fiscal year.

#### Revenue

The most significant portion of the revenue for all governmental activities of the Village of Bear Lake comes from State Revenue Sharing. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Streets as well as State revenue for general government operations.

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2007 was 9.56 mills. The Village's charter allows the Village to levy up to 12.5 mills for operations. Due to State statutes, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

Village of Bear Lake Management's Discussion and Analysis  
For the Fiscal Year Ended February 28, 2007

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2007, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 19% of total expenses. The Village spent \$20,284 in FY2006/2007 on Public Works. Expenses in the Major Street Fund (\$4,353) and Local Street Fund (\$5970) represent a majority of the Public Works expenditures.

#### Business-Type Activities

The Village's business-type activities accounted for an decrease of \$6,797 in the Village's Net Assets for the fiscal year ended February 28, 2007. The Business-type activities of the Village are the Water Fund and the Park, which provides water utility services to Village residents as well as commercial customers and recreational services to the general public.

#### Financial Analysis of the Government's Funds

*Governmental Activities* At the completion of the Village's fiscal year ended February 28, 2007, its governmental funds reported fund balances of \$93,283. Of this amount, all is unreserved.

*General Fund* - The General Fund is the main operating fund of the Village. The General Fund increased its fund balance in this fiscal year by \$25,976, bringing the balance to \$67,307.

*Major Street Fund* - The fund balance of the Major Street Fund ended the year at \$25,273. This was an increase of \$24,528 from the previous year.

*Local Street Fund* - The fund balance of the Local Street Fund ended the year at \$12,200. This was an increase of \$5,459 from the previous year.

*Proprietary Funds* The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements.

We did not incur any new debt.

#### Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Bear Lake, P.O. Box 175, Bear Lake, MI 49614.

VILLAGE OF BEAR LAKE, MICHIGAN  
Governmental Funds  
Statement of Net Assets  
February 28, 2007

Primary Government

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>ASSETS</b>						
Cash	\$163,184	\$297,117	\$139,597	\$11,698	302,781	308,815
Due From Other Fund	43,295	94,503	1,521	1,611	44,816	96,114
Due From State	4,162	11,910	0	0	4,162	11,910
Taxes Receivable	6,259	7,465	604	116,702	6,863	124,167
Unbilled Revenue	0	0	0	5,897	0	5,897
Capital Assets- Net	158,475	153,228	267,202	262,599	425,677	415,827
<b>Total Assets</b>	<b>375,375</b>	<b>564,223</b>	<b>408,924</b>	<b>398,507</b>	<b>784,299</b>	<b>962,730</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES:</b>						
Accounts Payable	1,323	738	1,028	1,028	2,351	1,766
Accrued Liabilities	4,919	7,554	2,770	8,960	7,689	16,514
Due to Other Funds	39,895	214,456	3,979	3,979	43,874	218,435
Non-Current Liabilities	2,520	0	0	0	2,520	0
Deferred Taxes	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>48,657</b>	<b>222,748</b>	<b>7,777</b>	<b>13,967</b>	<b>56,434</b>	<b>236,715</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets						
Net of Related Debt	158,475	153,228	267,202	262,599	425,677	415,827
Unreserved Net Assets	168,243	188,247	133,945	121,941	302,188	310,188
<b>Total Net Assets</b>	<b>326,718</b>	<b>341,475</b>	<b>401,147</b>	<b>384,540</b>	<b>727,865</b>	<b>726,015</b>
<b>Total Liabilities and Net Assets</b>	<b>\$375,375</b>	<b>\$564,223</b>	<b>\$408,924</b>	<b>\$398,507</b>	<b>\$784,299</b>	<b>\$962,730</b>

**VILLAGE OF BEAR LAKE**  
**Statement of Activities**  
For Year Ended February 28, 2007

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		Total
					Primary Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
Legislative	\$4,435				(\$4,435)		(\$4,435)
General government	77,836	0			(77,836)		(77,836)
Public safety	0	0			0		0
Public works	20,284	0			(20,284)		(20,284)
Health and Welfare					0		0
Community and Economic Development					0		0
Recreation and Culture					0		0
Other	4,287				(4,287)		
Interest on Long Term Debt					0		0
Total Governmental Activities	106,842	0	0	0	(106,842)		(106,842)
Business Type Activities							
Park and Water	85,543	70,138	1,384			(14,021)	(14,021)
Total Primary Government	192,385	70,138	1,384		(106,842)	(14,021)	(120,863)
General revenues:							
Taxes							
Property Taxes-general					0	0	0
Property Taxes-debt service					48,822	0	48,822
State-Shared Revenues					65,521	0	65,521
Unrestricted Investment Earnings					2,981	5,081	8,062
Franchise taxes					0	0	0
Miscellaneous					2,715	2,143	4,858
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					120,039	7,224	127,263
Changes in Net Assets					13,197	(6,797)	6,400
Adjustments to Retained Earnings						9,810	9,810
Net Assets - Beginning					326,716	124,135	450,853
Net Assets - Ending					\$339,915	\$127,148	\$467,063

The footnotes are an integral part of these Financial Statements

VILLAGE OF BEAR LAKE, MICHIGAN  
Governmental Funds  
Balance Sheet  
February 28, 2006 & February 28, 2007

	General Fund		Major Street Fund		Local Street Fund		Building Control Fund		Equipment Replacement Fund		Total	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
<b>ASSETS</b>												
Cash	\$62,691	\$211,602	\$9,183	\$32,481	\$14,455	\$26,196	\$61,211	\$6,005	\$15,644	\$20,833	163,184	297,117
Due From Other Fund	29,301	29,301	6,000	\$0	\$7,969	\$7,969	\$0	57,233	\$25	\$0	43,295	94,503
Due From State	4,162	4,680	0	\$7,230	\$0	\$0					4,162	11,910
Taxes Receivable	6,259	7,465			\$0	\$0					6,259	7,465
<b>Total Assets</b>	<b>102,413</b>	<b>253,048</b>	<b>15,183</b>	<b>39,711</b>	<b>22,424</b>	<b>34,165</b>	<b>61,211</b>	<b>63,238</b>	<b>15,669</b>	<b>20,833</b>	<b>216,900</b>	<b>410,995</b>
<b>LIABILITIES AND FUND EQUITY</b>												
<b>LIABILITIES:</b>												
Accounts Payable	1,211	626	112	112	0	0	0	0	0	0	1,323	738
Accrued Liabilities	4,919	7,554									4,919	7,554
Due to Other Funds	3,000	177,561	14,326	14,326	21,965	21,965	604	604	0	0	39,895	214,456
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>9,130</b>	<b>185,741</b>	<b>14,438</b>	<b>14,438</b>	<b>21,965</b>	<b>21,965</b>	<b>604</b>	<b>604</b>	<b>0</b>	<b>0</b>	<b>46,137</b>	<b>222,748</b>
<b>FUND EQUITY:</b>												
Fund Balance:												
Unreserved	93,283	67,307	745	25,273	459	12,200	60,607	62,634	15,669	20,833	170,763	188,247
<b>Total Fund Equity</b>	<b>93,283</b>	<b>67,307</b>	<b>745</b>	<b>25,273</b>	<b>459</b>	<b>12,200</b>	<b>60,607</b>	<b>62,634</b>	<b>15,669</b>	<b>20,833</b>	<b>170,763</b>	<b>188,247</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$102,413</b>	<b>\$253,048</b>	<b>\$15,183</b>	<b>\$39,711</b>	<b>\$22,424</b>	<b>\$34,165</b>	<b>\$61,211</b>	<b>\$63,238</b>	<b>\$15,669</b>	<b>\$20,833</b>	<b>\$216,900</b>	<b>\$410,995</b>

The footnotes are an integral part of these Financial Statements

VILLAGE OF BEAR LAKE, MICHIGAN  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended February 28, 2006 & February 28, 2007

	General Fund		Major Street Fund		Local Street Fund		Building Control Fund		Equipment Replacement Fund		Total	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
<b>REVENUES</b>												
Property Taxes	\$52,127	\$48,822	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$52,127	\$48,822
State Shared	32,828	24,242	9,476	28,749	4,317	12,530	0	0	0	0	46,621	65,521
Rents and Royalties	63,502	0									63,502	0
Interest	890	427	794	132	212	181	1,579	2,052	125	189	3,600	2,981
Other	5,759	2,715									5,759	2,715
Taxes					0	0					0	0
Total Revenues	155,106	76,206	10,270	28,881	4,529	12,711	1,579	2,052	125	189	171,609	120,039
<b>EXPENDITURES</b>												
Legislative	5,780	4,435									5,780	4,435
General Government	93,883	77,811					25	25			93,908	77,836
Public Safety											0	0
Public Works	13,082	9,936	19,008	4,353	22,073	5,970			0	25	54,163	20,284
Planning											0	0
Recreation and Culture											0	0
Other Functions											0	0
Contracted Services											0	0
Capital Outlay											0	0
Total Expenditures	112,745	92,182	19,008	4,353	22,073	5,970	25	25	0	25	153,851	102,555
EXCESS REVENUES OVER (UNDER) EXPENDITURES	42,361	(15,976)	(8,738)	24,528	(17,544)	6,741	1,554	2,027	125	164	17,758	17,484
FUND BALANCE, BEGINNING	72,922	93,283	18,483	745	1,003	459	55,053	60,607	5,544	15,669	153,005	170,763
Transfer In	(22,000)	(10,000)	(9,000)	0	17,000	5,000	4,000	0	10,000	5,000	0	0
FUND BALANCE, ENDING	\$93,283	\$67,307	\$745	\$25,273	\$459	\$12,200	\$60,607	\$62,634	\$15,669	\$20,833	\$170,763	\$188,247

The footnotes are an integral part of these Financial Statements

VILLAGE OF BEAR LAKE, MICHIGAN  
 Governmental Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 February 28, 2007

Total Fund Balance for Governmental Funds	\$188,247
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	153,228
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	0
Compensated Absences	<u>0</u>
Net Assets of Governmental Activities	<u>\$341,475</u>



VILLAGE OF BEAR LAKE, MICHIGAN  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance to the Statement of Activities  
For the Year Ended February 28, 2007

Net Change in Fund Balances- Total Governmental Funds	\$17,484
---	----------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Governmental funds report capital outlays as expenditures in the statement of activities. These cost are allocated over their estimated useful lives as depreciation in the statement of activities.

Depreciation Expense	(5,247)	
Capital Outlay	<u>0</u>	
		(5,247)

Employee compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds.

Compensated Absences- Beginning of Year	(2,520)	
Compensated Absences- End of Year	<u>(1,560)</u>	
Change in Compensated Absences		(960)

Change in Net assets of Governmental Activities	<u>\$13,197</u>
---	-----------------

VILLAGE OF BEAR LAKE, MICHIGAN  
Combining Balance Sheet  
All Enterprise Funds  
For the Years Ended February 28, 2006 & February 28, 2007

	Park Fund		Water Fund		Total	
	2006	2007	2006	2007	2006	2007
<b>ASSETS</b>						
Cash	\$48,171	\$13,713	\$91,426	(\$2,015)	\$139,597	\$11,698
Account Receivable - Trade	0	0	1,521	1,611	1,521	1,611
Account Receivable - Grant	0	0	0	0	0	0
Due From Other Funds	0	30,978	604	85,724	604	116,702
Taxes Receivable	0	0			0	0
Unbilled Revenue	0	0	0	5,897	0	5,897
Property, Plant & Equipment	0	0	398,768	400,588	398,768	400,588
Less: Accumulated Depreciation	0	0	(131,566)	(137,989)	(131,566)	(137,989)
<b>Total Assets</b>	<b>48,171</b>	<b>44,691</b>	<b>360,753</b>	<b>353,816</b>	<b>408,924</b>	<b>398,507</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Accounts Payable	981	981	47	47	1,028	1,028
Deferred Revenue	0	8,960	2,770	0	2,770	8,960
Security Deposits	0	0	0	0	0	0
Accrued Interest Payable	0	0			0	0
Due To Other Funds	3,192	3,192	787	787	3,979	3,979
Bonds Payable	0	0			0	0
<b>Total Liabilities</b>	<b>4,173</b>	<b>13,133</b>	<b>3,604</b>	<b>834</b>	<b>7,777</b>	<b>13,967</b>
<b>FUND EQUITY:</b>						
Retained Earnings						
Unreserved	43,998	31,558	89,947	90,383	133,945	121,941
Reserved	0	0	267,202	262,599	267,202	262,599
<b>Total Fund Equity</b>	<b>43,998</b>	<b>31,558</b>	<b>357,149</b>	<b>352,982</b>	<b>401,147</b>	<b>384,540</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$48,171</b>	<b>\$44,691</b>	<b>\$360,753</b>	<b>\$353,816</b>	<b>\$408,924</b>	<b>\$398,507</b>

VILLAGE OF BEAR LAKE, MICHIGAN  
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings  
All Enterprise Funds  
For the Years Ended February 28, 2006 & February 28, 2007

	Park Fund		Water Fund		Total	
	2006	2007	2006	2007	2006	2007
<b>OPERATING REVENUES</b>						
Charges for Service	\$34,256	\$32,466	\$36,458	\$37,672	\$70,714	\$70,138
Tax Assessments	0	0	0	0	\$0	\$0
Refunds and Other	955	1,985	120	158	\$1,075	\$2,143
<b>Total Revenues</b>	<b>35,211</b>	<b>34,451</b>	<b>36,578</b>	<b>37,830</b>	<b>71,789</b>	<b>72,281</b>
<b>OPERATING EXPENDITURES</b>						
Operations and Maintenance	29,670	33,091	30,808	40,146	60,478	73,237
Interest Expense	0	0	0	0	0	0
Administration	5,876	5,023	735	860	6,611	5,883
Depreciation and Amortization	0	0	0	6,423	0	6,423
<b>Total Expenditures</b>	<b>35,546</b>	<b>38,114</b>	<b>31,543</b>	<b>47,429</b>	<b>67,089</b>	<b>85,543</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(335)</b>	<b>(3,663)</b>	<b>5,035</b>	<b>(9,599)</b>	<b>4,700</b>	<b>(13,262)</b>
<b>NON-OPERATING INCOME (EXPENSE)</b>						
Interest on Investments	1,196	1,033	2,345	4,048	3,541	5,081
Proceeds from Grant		0	3,600	1,384	3,600	1,384
Transfers In (Out)	0	0		0	0	0
Bond Interest and Fees	0	0			0	0
<b>Total Non-Operating Income (Expenses)</b>	<b>1,196</b>	<b>1,033</b>	<b>5,945</b>	<b>5,432</b>	<b>7,141</b>	<b>6,465</b>
<b>NET INCOME (LOSS)</b>	<b>861</b>	<b>(2,630)</b>	<b>10,980</b>	<b>(4,167)</b>	<b>11,841</b>	<b>(6,797)</b>
<b>RETAINED EARNINGS, BEGINNING</b>	<b>43,137</b>	<b>43,998</b>	<b>78,967</b>	<b>89,947</b>	<b>122,104</b>	<b>133,945</b>
Transfer to Reserved Fund Balance				(1,820)		
Prior Period Adjustment		(\$9,810)				
<b>RETAINED EARNINGS, ENDING</b>	<b>\$34,188</b>	<b>\$31,558</b>	<b>\$89,947</b>	<b>\$90,383</b>	<b>\$124,135</b>	<b>\$121,941</b>

VILLAGE OF BEAR LAKE  
Combining Statement of Cash Flows  
All Enterprise Funds  
For the Year Ended February 28, 2007

	Park Fund	Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Operating Income	(\$3,663)	(\$9,599)	(\$13,262)
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities			
Depreciation	0	6,423	6,423
(Increase) Decrease in Account Receivable - Trade	0	(5,987)	(5,987)
(Increase) Decrease in Grant Receivable		0	0
(Increase) Decrease in Property Taxes Receivable	0	0	0
(Increase) Decrease in Due From Other Funds	(30,978)	(85,120)	(116,098)
Increase (Decrease) in Deferred Revenue	8,960	(2,770)	6,190
Increase (Decrease) in Accounts Payable	0	0	0
Increase (Decrease) In Due To Other Funds	0	0	0
Increase (Decrease) in Accrued Interest Payable	0	0	0
Net Cash Provided by Operating Activities	(25,681)	(97,053)	(122,734)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	1,033	4,048	5,081
Grants Received	0	1,384	1,384
Acquisition of Capital Assets	0	(1,820)	(1,820)
Net Cash Provided by Investing Activities	1,033	3,612	4,645
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid on Long-Term Debt	0	0	0
Change in Reserved Retained Earnings	0	0	0
Adjustment Retained Earnings	(9,810)	0	(9,810)
Net Cash Used by Financing Activities	(9,810)	0	(9,810)
TRANSFERS IN (OUT)	0		0
NET INCREASE IN CASH AND EQUIVALENTS	(34,458)	(93,441)	(127,899)
CASH AND EQUIVALENTS, BEGINNING	48,171	91,426	139,597
CASH AND EQUIVALENTS, ENDING	\$13,713	(\$2,015)	\$11,698

VILLAGE OF BEAR LAKE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Bear Lake, Manistee County, was incorporated in 1894 and covers an area of approximately 36 square miles. The Village operates under an elected Village Council of seven members and provides services to its residents in many areas including fire protection, water and sewer services, refuse collection, community enrichment and development, and human services.

Presentation

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

REPORTING ENTITY

As defined by the Governmental Accounting Standards Board Statement 1, all relevant criteria was reviewed in an attempt to decide if other entities ought to be included in this audit report. If certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- selection of governing authority
- designation of management
- ability to significantly influence operations
- budgetary authority
- responsibility to fund deficits or receive surplus funds
- fiscal management
- providing significant subsidies

Based on our review, conducted in accordance with GASB 14 and Michigan Department of Treasury Statement on Michigan Governmental Accounting and Auditing No 5, this report includes no component units.

BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

## GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes. These funds include the Major and Local Street Funds, Equipment Replacement Fund and Building Fund.

## PROPRIETARY FUND TYPE

Enterprise Funds - These funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Village's Water and Park Funds are Enterprise Funds.

## MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and Trust and Agency fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

## BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting as described in GASB #1. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable.

Significant revenues susceptible to accrual include property taxes, expenditures reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

The financial statements of proprietary funds are reflected on the accrual basis and recorded as incurred.

## USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these were prepared on a basis not significantly different from modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an account or line-item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level, or by total fund revenue/expenditures for the smaller funds.

## ACCUMULATED FUND DEFICITS

There are no accumulated deficits.

## COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Villages financial position and operations.

## SICK AND VACATION LEAVE

Vacation leave is accumulated by Village employees. Village employees are eligible for vacation leave after 100 days of service with the Village. The vacation time is permitted to accrue and accounts for the accumulated amount in accordance with Governmental Accounting Standards Board's Statement No 16 "Accounting for Compensated Absences".

## PENSION/RETIREMENT PLAN

The Village does not provides a pension plan for employees or council members. There are no post retirement benefits.

## NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

### A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - i) The purchase of securities on a when-issued or delayed delivery basis.
  - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

- B. Types of Deposits: The Village maintains its cash deposits in four institutions. The following table categorizes the Village's deposits into the various degrees of security associated with the deposits:

	<u>Insured</u>	<u>Not Insured</u>
Checking not Collateralized	\$100,000	\$131,268
Money Markey Fund	100,000	72,929
Deposit In Transit	<u>0</u>	<u>4,225</u>
Total	\$200,000	\$208,422

#### NOTE 3 - INVENTORIES

The Village does not maintain any material inventories.

#### NOTE 4 - PROPERTY TAX RECOGNITION

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For property taxes this is deemed to be received within 60 days. The remainder of delinquent receivables are for property tax and are classified as Deferred Taxes rather than revenue. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15, with the final collection date of September 14 before they are added to the County tax delinquent rolls.

#### NOTE 5 - OPERATING TRANSFERS

There were no operating transfers during the year. Monies transferred between various funds are offset by the appropriate interfund receivable.



#### NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE

The following are the interfund receivable and payables at February 28, 2007.

	<u>Due To</u>		<u>Due From</u>	
General Fund:			Water Fund	787
			Park Fund	3,192
	Major Street	3,000	Major Street	6,357
			Local Street	18,965
Park Fund:	General Fund	3,192		
Water Fund:	General Fund	787	Building Fund	604
Major Street:	Local Street	7,969	General Fund	3,000
	General Fund	6,357	Local Street	3,000
Local Street:	Major Street	3,000	General Fund	7,969
	General Fund	18,965		
Building:	Water Fund	604		

#### NOTE 7 - TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		10,000
Local Street Fund	5,000	
Equipment Fund	5,000	

The purpose of these transfers was to make contributions to the Local Street and Equipment funds.

#### NOTE 8- ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Following is a schedule of receivables at February 28, 2007:

General Fund	
Revenue Sharing	4,680
Taxes	<u>7,465</u>
Total General Fund	12,145
Enterprise Funds	
Utility customers receivable	<u>90</u>
Total Enterprise Funds	90

#### NOTE 9 - PREPAIDS AND DEFERRED REVENUE

In the enterprise funds, moneys are collected in advance. In the water fund, the billings are made quarterly for the following three months. Therefore, approximately one third of the billings are deferred, not current period revenue.

In the park fund, money collected in the spring is for deposits against future rental and prepaid annual rentals. Thus, this amount is prepaid and should not be recorded as current period rental.

Deferred Revenue as of February 28, 2007

Utility Bills Paid in Advance	2,948
Customers deposits (Prepaid Rent)	8,960

NOTE 10 - CAPITAL ASSETS

General Fixed Assets have been acquired for general Village purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized and are reported in the GASB 34 Statements.

	Assets Balance	Additions	Deletions	Balance	Accumulated Depreciation Balance	Additions	Deletions	Balance
Real Estate	122,571			122,571				
Vehicles	43,523			43,523				
Equipment	65,834			65,834	73,453	5,247		78,700
Total	231,928			231,928	73,453	5,247		78,700

Proprietary Funds Assets have been capitalized and are reported in the Proprietary Funds.

	Assets Balance	Additions	Deletions	Balance	Accumulated Depreciation Balance	Additions	Deletions	Balance
Land and Improve	\$392,311	\$1,820		\$394,131	\$131,566	\$6,423		\$137,989
Equipment	6,457			6,457	6,457			6,457
Total	398,768	1,820		400,588	138,023	6,423		144,446
Net Assets								262,599

NOTE 11- DEFICIT FUNDS AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. The following activities expended amounts greater than appropriations:

General Fund - Buildings and Grounds	\$ 1,827
Water Fund - Primarily Reimbursements and Repairs and Maintenance	14,654

NOTE 12 - RISK MANAGEMENT

All risks are covered through the use of commercial insurance.

## SUPPLEMENTAL DATA

**WILSON, WARD CPA FIRM**

P.O. Box 205  
3015 M-137  
Interlochen, MI 49643

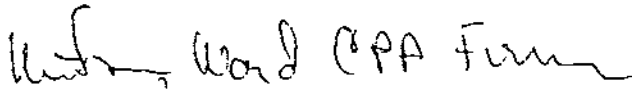
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To the Bear Lake Village Council  
Bear Lake, MI

We have audited the combined financial statements of the Village of Bear Lake, Michigan for the year ended February 28, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



Interlochen, MI  
August 10, 2007

## General Fund

VILLAGE OF BEAR LAKE  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	Original Budget	Final Budget	2006 Actual	2007	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Current Property Taxes	\$48,000	\$48,000	\$52,127	\$48,822	822
Specific Tax					0
Licenses and Permits					0
State Shared Revenues	28,000	28,000	32,828	24,242	(3,758)
Insurance Paybacks					0
Earned Interest	1,850	1,850	890	427	(1,423)
Rents and Royalties	50,800	50,800	63,502		(50,800)
Charges for Service					0
Park Escrow					0
Other Revenue	2,900	2,900	5,759	2,715	(185)
Insurance Claim					0
Interest CDs					0
Total Revenues	\$131,550	\$131,550	\$155,106	\$76,206	(55,344)
<b>Expenditure</b>					
<b>Legislative</b>					
Personal Services	4,500	4,500	5,780	3,685	(815)
Supplies	0	0	0	0	0
Other General Services	0	0	0	750	750
	4,500		5,780	4,435	(65)
<b>General Government</b>					
<b>Elections</b>					
Personal Services	4,000	4,000	0	0	(4,000)
Supplies	0	0	0	0	0
Other General Services	0	0	0	0	0
	4,000		0	0	(4,000)
<b>Clerk</b>					
Personal Services	6,000	6,000	5,885	5,420	(580)
Supplies	0	0	127	765	765
Other General Services	0	0	0	240	240
	6,000		6,012	6,425	425
<b>Treasurer</b>					
Personal Services	6,000	6,000	5,470	4,960	(1,040)
Supplies	0	0	1,285	574	574
Other General Services	0	0	960	0	0
	6,000		7,715	5,534	(466)
<b>General Services</b>					
Other General Services	750	750	0	25	(725)
	750	750	0	25	(725)
<b>Building and Grounds</b>					
Personal Services	50,000	50,000	45,358	47,407	(2,593)
Supplies	0	0	94	140	140
Other General Services	12,000	12,000	21,059	16,280	4,280
	62,000	62,000	66,511	63,827	1,827
<b>Other General Services</b>					
Other General Services	10,250	10,250	13,645	2,000	(8,250)
	10,250	10,250	13,645	2,000	(8,250)

VILLAGE OF BEAR LAKE  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended February 28, 2006 & February 28, 2007

Public Works					
Sidewalks and Trees	16,000	16,000	9,313	9,408	(6,592)
Street Lights	11,000	11,000	3,769	528	(10,472)
Sanitation	0	0	0	0	0
	<u>27,000</u>	<u>27,000</u>	<u>13,082</u>	<u>9,936</u>	<u>(17,064)</u>
Parks					
Capital Outlay	0	0	0	0	0
Total Expenditures	<u>241,000</u>	<u>220,500</u>	<u>112,745</u>	<u>92,182</u>	<u>(148,818)</u>
Excess Revenues Over (Under) Expenditures	<u>(109,450)</u>	<u>(88,950)</u>	<u>42,361</u>	<u>(15,976)</u>	<u>72,974</u>
Other Financing Sources (Uses)					
Transfers Out	15,000	15,000	22,000	10,000	(5,000)
Transfers In	0	0	0	0	0
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(124,450)</u>	<u>(103,950)</u>	<u>20,361</u>	<u>(25,976)</u>	<u>67,974</u>
Fund Balance - Beginning of Year			72,922	93,283	
Fund Balance - End of Year			<u>93,283</u>	<u>67,307</u>	

## Special Revenue Fund



VILLAGE OF BEAR LAKE  
Balance Sheet  
Major Street  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007
ASSETS		
Cash	\$9,183	\$32,481
Due From State	0	0
Due From General Fund	6,000	7,230
Total Assets	15,183	39,711
LIABILITIES & FUND BALANCE		
Liabilities	112	112
Due to Other Funds	14,326	14,326
Fund Balance - Reserved	745	25,273
Total Liabilities & Fund Balance	\$15,183	\$39,711

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Major Street  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007	Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
State Shared	\$22,000	\$9,476	\$28,749
Interest	700	794	132
Contingency	0	0	0
Total Revenues	22,700	10,270	28,881
EXPENDITURES			
Public Works			
Wages	4,000	300	0
Administration	200	100	475
Highways, Streets and Bridges			
Routine Maintenance	8,000	1,524	3,878
Rentals	10,000	17,084	0
Capital Outlay	0	0	0
Total Expenditures	22,200	19,008	4,353
EXCESS REVENUES OVER (UNDER) EXPENDITURES	500	(8,738)	24,528
Other Financing Sources (Uses)			
Transfers In			
Transfers Out	12,000	9,000	0
FUND BALANCE, BEGINNING OF YEAR	18,483	745	
FUND BALANCE, END OF YEAR	\$745	\$25,273	

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Balance Sheet  
Local Street  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007
<b>ASSETS</b>		
Cash	\$14,455	\$26,196
Due From Other Funds	7,969	7,969
Due From State		
Taxes Receivable		
	<hr/>	
Total Assets	<u>\$22,424</u>	<u>\$34,165</u>
 <b>LIABILITIES &amp; FUND BALANCE</b>		
Deferred Revenue		
Due to other Funds	21,965	21,965
Fund Balance	459	12,200
	<hr/>	
Total Liabilities & Fund Balance	<u>\$22,424</u>	<u>\$34,165</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Local Street  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007	Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
State Shared	\$10,000	\$4,317	\$12,530
Interest	200	212	181
Road Taxes			
Contingency	0	0	0
Total Revenues	10,200	4,529	12,711
EXPENDITURES			
Public Works:			
Wages	4,000	300	300
Administration	1,100	100	475
Highways, Streets and Bridges:			
Routine Maintenance	0	934	0
Rentals	12,000	20,739	12,000
Contracted Services	0	0	5,195
Capital Outlay	0	0	0
Total Expenditures	17,100	22,073	5,970
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(6,900)	(17,544)	6,741
Other Financing Sources / (Uses)			
Transfer in	20,000	17,000	5,000
Transfer Out			
FUND BALANCE, BEGINNING OF YEAR		1,003	459
FUND BALANCE, END OF YEAR		\$459	\$12,200

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Balance Sheet  
Building Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007
<b>ASSETS</b>		
Cash	\$61,211	\$6,005
Due From General Fund	<u>0</u>	<u>57,233</u>
Total Assets	<u>61,211</u>	<u>63,238</u>
 <b>LIABILITIES &amp; FUND BALANCE</b>		
Accrued Liabilities	0	
Due to Other Funds	604	604
Fund Balance	<u>60,607</u>	<u>62,634</u>
Total Liabilities & Fund Balance	<u>\$61,211</u>	<u>\$63,238</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Building Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007	Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
State Grant	\$0	\$0	\$0
Interest	1,400	1,579	652
Contingency	0	0	0
Charges for Services	5,000	0	(5,000)
Other Revenue		0	0
Total Revenues	6,400	1,579	(4,348)
EXPENDITURES			
Contracted Labor	0	0	0
Insurance	0	0	0
Miscellaneous	0	25	(25)
Total Expenditures	0	25	(25)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	6,400	1,554	(4,323)
Other Financing Sources/(Uses)			
Transfers In		4,000	0
Transfers Out		0	0
FUND BALANCE, BEGINNING OF YEAR		55,053	60,607
FUND BALANCE, END OF YEAR		\$60,607	\$62,634

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Balance Sheet  
Equipment Replacement Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007
<b>ASSETS</b>		
Cash	\$15,644	\$20,833
Due From General Fund	<u>\$25</u>	<u>\$0</u>
Total Assets	<u>\$15,669</u>	<u>\$20,833</u>
<b>LIABILITIES &amp; FUND BALANCE</b>		
Accrued Liabilities	\$0	
Due to Other Funds	0	
Fund Balance	<u>15669</u>	<u>20833</u>
Total Liabilities & Fund Balance	<u>\$15,669</u>	<u>\$20,833</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Equipment Replacement Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007	Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
State Grant	\$0	\$0	\$0
Interest	110	125	79
Contingency	0	0	0
Charges for Services	0	0	0
Other Revenue	0	0	0
Total Revenues	110	125	79
EXPENDITURES			
Contracted Labor	0	0	0
Insurance	0	0	0
Miscellaneous	25	0	0
Total Expenditures	25	0	0
EXCESS REVENUES OVER (UNDER) EXPENDITURES	85	125	79
Other Financing Sources/(Uses)			
Transfers In	10,000	5,000	
Transfers Out	0	0	
FUND BALANCE, BEGINNING OF YEAR	5,544	15,669	
FUND BALANCE, END OF YEAR	<u>\$15,669</u>	<u>\$20,833</u>	

The footnotes are an integral part of these Financial Statements.



## Enterprise Funds

VILLAGE OF BEAR LAKE  
Balance Sheet  
Water Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007
<b>ASSETS</b>		
Current Assets		
Cash	\$91,426	(\$2,015)
Due From General Fund	\$604	\$85,724
Unbilled Revenue	\$0	\$5,897
Receivables Net	\$1,521	\$1,611
	<hr/>	<hr/>
Total Assets	\$93,551	\$91,217
Fixed Assets		
Land and Improvements	\$392,311	\$394,131
Equipment	\$6,457	\$6,457
Total	<hr/>	<hr/>
	\$398,768	\$400,588
Less Accumulated Depreciation	\$131,566	\$137,989
Total Assets	<hr/>	<hr/>
	\$360,753	\$353,816
 <b>LIABILITIES &amp; FUND BALANCE</b>		
Accrued Liabilities	\$47	\$47
Due to Other Funds	787	787
Deferred Revenue	2,770	0
Fund Balance -Reserved for Capital	267202	262599
Fund Balance -Unreserved	<hr/>	<hr/>
	89947	90383
Total Liabilities & Fund Balance	<hr/>	<hr/>
	\$360,753	\$353,816

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Water Fund  
For the Year Ended February 28, 2006 & February 28, 2007

		2006	2007	Variance
	Budget	Actual		Favorable (Unfavorable)
REVENUES				
State Grant	\$0	\$3,600	\$1,384	\$1,384
Interest	1,800	2,345	4,048	2,248
Contingency	0	0	0	0
Charges for Services	35,000	36,458	37,672	2,672
Other Revenue	10	120	158	148
Total Revenues	36,810	42,523	43,262	6,452
EXPENDITURES				
Wages	4,000	735	860	3,140
Supplies	1,200	416	1,358	(158)
Professional Services	10,475	7,798	475	10,000
Garbage Collection	0	0	0	0
Telephone	0	0	0	0
Printing and Publishing	300	0	0	300
Utilities	3,500	3,100	2,901	599
Repairs and Maintenance	5,500	3,833	12,709	(7,209)
Rentals	7,000	8,145	7,985	(985)
Miscellaneous	800	7,516	14,718	(13,918)
Refunds	0	0	0	0
Improvements	0	0	0	0
Depreciation	0	0	6,423	(6,423)
Total Expenditures	32,775	31,543	47,429	(14,654)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	4,035	10,980	(4,167)	21,106
Other Financing Sources/(Uses)				
Transfers In		0	0	
Transfers Out		0	0	
FUND BALANCE, BEGINNING OF YEAR		78,967	89,947	
Transfer to Reserved Fund Balance			(1,820)	
FUND BALANCE, END OF YEAR		\$89,947	\$90,383	

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Balance Sheet  
Park Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007
ASSETS		
Cash	\$48,171	\$13,713
Due From General Fund	\$0	\$30,978
Total Assets	\$48,171	\$44,691
LIABILITIES & FUND BALANCE		
Accrued Liabilities	\$981	\$981
Due to Other Funds	3,192	3,192
Deferred Income	0	8,960
Fund Balance	43998	31558
Total Liabilities & Fund Balance	\$48,171	\$44,691

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEAR LAKE  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Park Fund  
For the Year Ended February 28, 2006 & February 28, 2007

	2006	2007	Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
State Grant	\$0	\$0	\$0
Interest	950	1,196	1,033
Contingency	0	0	0
Charges for Services	27,225	34,256	32,466
Other Revenue	720	955	1,985
Total Revenues	28,895	36,407	35,484
EXPENDITURES			
Wages	6,000	5,876	5,023
Supplies	7,000	2,616	3,421
Professional Services	1,350	2,432	350
Garbage Collection	1,500	1,023	1,050
Telephone	0	0	0
Printing and Publishing	0	129	446
Utilities	3,000	2,805	3,704
Repairs and Maintenance	500	1,711	4,220
Rentals	17,000	17,536	19,388
Miscellaneous	400	1,214	512
Refunds	300	204	0
Improvements	0	0	0
Capital Outlay	0	0	0
Total Expenditures	37,050	35,546	38,114
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(8,155)	861	(2,630)
Other Financing Sources/(Uses)			
Transfers In		0	0
Transfers Out		0	0
FUND BALANCE, BEGINNING OF YEAR		43,137	43,998
Prior Period Adjustment			(9,810)
FUND BALANCE, END OF YEAR		\$43,998	\$31,558

The footnotes are an integral part of these Financial Statements.

August 11, 2006

Village President  
Village of Bear Lake  
Bear Lake, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Village of Bear Lake. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Village of Bear Lake are listed in the notes. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Village of Bear Lake during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Bear Lake that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The cooperative attitude of the personnel and the Board was greatly appreciated. The staff has demonstrated their desire to perform their functions in an efficient and proper manner.

There is one area of significant concern:

Comment: The overall control of the receipts from park residents needs improvement.

Recommendation: The camp host (or Treasurer for annual) should issue a multi-part pre-numbered receipt, one copy which can be displayed at the site, one for the book and one forwarded to the Treasurer.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the Village of Bear Lake.

Sincerely,

A handwritten signature in dark ink that reads "Wilson, Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson Ward CPA Firm